

# Democrat's Energy Policy To Stress Cutting Demand

(Wall Street Journal)

By JOHN J. FIALKA

WASHINGTON -- In one of its final acts, the Republican Congress modestly increased the nation's domestic oil and natural-gas supplies, permitting more drilling for oil and natural-gas in the Gulf of Mexico. When Democrats take control next month, they will attempt to change the direction of energy policy, focusing more on shrinking demand, especially for gasoline and other products that rely heavily on imported oil.

The House will consider a variety of incentives for vehicles that burn 85% ethanol or so-called biodiesel, where vegetable oils are substituted for petroleum. President Bush is an enthusiastic backer of ethanol, and boosting federal support could be an area where the White House and the new Congress find common ground.

Senate Democrats will consider more direct approaches to curbing fossil-fuel demand, including raising efficiency standards for auto makers, forcing them to make cars that get more miles per gallon of gasoline.

Because Democrats are more influenced by environmental groups, which strongly oppose offshore oil and gas exploration, they appear less willing to consider the supply-side solutions that have been popular in the Republican Congress. Their most recent big energy bill, last year, was heavy on incentives for coal, as well as for ethanol and nuclear power.

Leaders of the coalition that pushed the last energy bill through Congress -- the offshore-drilling measure passed early Saturday morning -- had hoped to open a much larger area before Republicans gave up control. But they declared victory nonetheless. "When it comes to passing important legislation around here," said Rep. John E. Peterson (R., Pa.), "you learn to shoot for the stars in the hope that you might land on the moon. I don't know that we even approached the stratosphere with this bill, but I do believe it represents an important first step."

Sponsors of the offshore-drilling package, originally called the "Gulf of Mexico Energy Security Act," say it will lead to production of 1.26 billion barrels of oil and as much as 5.8 trillion cubic feet of natural gas -- enough to heat and cool six million homes for 15 years -- which lie under the 8.3 million acres in deepwater areas of the Gulf opened for exploration.

The measure is less ambitious than an earlier version passed by the House, which could have opened 356 million acres, but was rejected by the Senate. It would have opened up areas along the Atlantic and Pacific coasts as well as in the Gulf and would have allowed states to waive federal moratoria that prevent offshore drilling.

The new bill doesn't add much beyond what likely would have happened without congressional action. Much of this land already was scheduled for opening by the Interior Department over the next five years. But with the changeover in Capitol Hill, Republicans and energy-industry allies figured it was the best they would be able to get for some time.

Agriculture groups and the chemical industry want more exploration in what are believed to be gas-rich areas along the outer continental shelf. Farm groups want cheaper natural gas because it is a prime fertilizer ingredient. The chemical industry, which uses natural gas as a feedstock for many chemicals and plastics, says many U.S. plants may move abroad, where gas is cheaper, prompting a loss of high-skilled jobs unless gas prices fall in the U.S.

Sponsors of the bill that ultimately passed said it was adequate and timely, coming as the price of natural gas has started moving up, coming out of a mid-year slump. "Just last week," said Sen. Pete Domenici, (R., N.M.), "the price of natural gas was \$7.79 per million Btu (British Thermal Units). That is nearly double the price it was two months ago."